

**SELWYN INVESTMENT
HOLDINGS LIMITED**

Revised May 2007

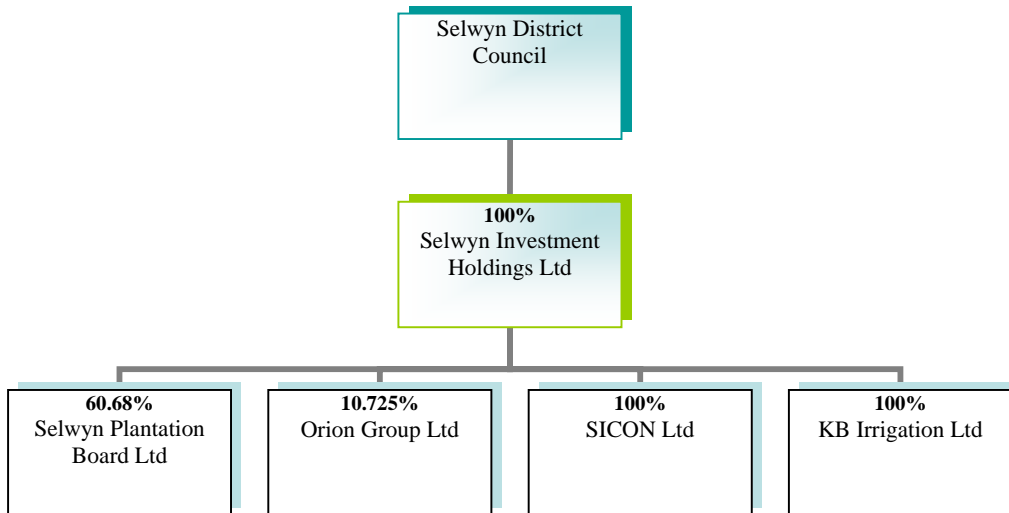
INVESTMENT GUIDELINES

Selwyn Investment Holdings Limited

Selwyn Investment Holdings Ltd (SIHL), formerly Selwyn Council Trading Enterprises Limited, is a Council Controlled Trading Organisation (CCTO) that was incorporated in 1994 and commenced trading on 1 July 1995. CCTO's are companies established by local authorities to perform activities on a fully commercial basis. SIHL is 100% owned by the Selwyn District Council.

Ownership Structure

SIHL's current ownership structure is shown below:



Mission Statement

To manage the Council's Trading Enterprises so that there is long term benefit to the Community of Selwyn through:

- Enhanced Long Term Value of assets being managed;
- Competitive and quality provision of essential infrastructural services facilitating a healthy Regional Economy;
- Appropriate revenue streams that benefit Selwyn's Rate Payers;
- Effective influence or control of Assets and Investments.

Objectives

- To advise the Council on strategic issues relating to its trading investments including but not limited to ownership structures, capital structures and rates of return;
- To monitor the performance of each Investment / Asset;
- To encourage and facilitate the Investment / Asset to increase Shareholder Value through growth and investment;
- To consider on behalf of the Council and report if material and at the appropriate time, investment opportunities arising that have the potential to enhance the economic well being of the region and provide an appropriate return.

Overview

SIHL is an independent legal entity with its own Board of Directors. SIHL is accountable to the Selwyn District Council through a number of mechanisms including:

- Negotiation of an annual Statement of Intent;
- Council appointment of Directors (currently 1 Councillor and 4 external directors);
- Regular reporting to the Appropriate Council Committee;
- Publication of the consolidated six monthly and annual reports.

Key Functions of SIHL

Key functions of SIHL in relation to the Trading Enterprises include:

- 1) Reviewing Statements of Intent and making recommendations to Council;
- 2) Recommending director appointment to the Council;
- 3) Understand the overall strategic direction of the Trading Enterprise;
- 4) Monitoring financial results on an ongoing basis;
- 5) Address specific issues impacting on the Council as they arise;
- 6) Reviewing the Trading Enterprises Capital Structures.

Neither SIHL nor the Council plays any part in the management of the Trading Enterprises. This is solely the prerogative of the respective Boards and Management who are charged with running their business in a commercial manner and on an arms length basis from SIHL and the Council.

Guidelines for Individual Investments

The following sets out the basis on which SIHL holds and makes investments in investee companies and instruments, Joint Venture Partnership, Land and Buildings, Infrastructure and other activities.

Investment decisions shall be based on an overriding objective of:

- a) Achieving the commercial and non-commercial objectives of its shareholder as specified in the Statement of Intent; and
- b) Being conscious of SIHL's social and environmental responsibilities to Selwyn community.

Under this framework, SIHL:

1. May invest in any geographic area, but it will give priority to investment opportunities in New Zealand and particularly Selwyn District provided core investment criteria are met. Any international investment (excluding portfolio investments) will be subject to Council approval;
2. Will make investment and divestment decisions in accordance with these guidelines, referring to its shareholder for guidance when decisions are required on matters that are beyond the scope of these guidelines or where the shareholder specifically directs that such guidance be sought;
3. Will endeavour to make decisions regarding its portfolio such that, as a minimum, the shareholder receives consistent returns.
4. All investments must meet ethical standards consistent with the Company's Code of Conduct;
5. Will favour investments in businesses that promote growth and development;
6. By way of financial involvement can influence or control investments or in certain cases, substantial minority Investments where SIHL believes it has significant influence over the direction of the Investment;
7. Will only invest in an investee company if it has representation on that company's board;
8. Will favour Investments that have existing operations and a proven track record, although on certain occasions may invest in start-up businesses particularly those of an infrastructural nature (possibly structured as a Public/Private partnership);
9. Will seek investments that financial returns on group assets and new investments to shareholders is at least two percent greater than the yield on New Zealand

government stock (NZGS) in the long term unless the Council approves otherwise (such as for strategic reasons);

10. Will not make new investments such that its portfolio becomes unduly concentrated in any single investment other than for strategic reasons;
11. Will prefer investments that reflect a return consistent with the degree of risk being undertaken;
12. May borrow to fund investments provided the Company continues to operate in a prudent financial manner. SIHL may consider being rated to enhance its borrowing ability.

Guidelines for Portfolio Investments

In addition to Individual Investments as set out above, SIHL may also invest in Portfolio Investments. Portfolio Investments are defined as investments in New Zealand or Australian listed shares or funds or unlisted New Zealand / Australian Unit Trusts.

The following rules shall apply:

1. SIHL may initially invest up to \$5 million or up to a different limit agreed from time to time by Council;
2. Portfolio Investments can include securities issued in New Zealand or Australia under the relevant securities legislation, such as:
 - a. Shares listed on the NZX
 - b. Funds listed on the NZX or unlisted Unit Trusts
 - c. Shares listed on the ASX
 - d. Funds listed on the ASX or unlisted Unit Trusts
 - e. Funds listed on the NZX or ASX with exposure to other overseas markets
3. Concentration of any one shareholding in Shares shall not be more than 10% of the total Portfolio Investments agreed limit at any one time;
4. Concentration of any one Fund or Unit Trust (assuming the Fund / Unit Trust is well diversified and is invested in more than 10 separate investments) cannot exceed 50% of the total Portfolio Investments agreed limit at any one time;
5. Will seek investments that will generate a return on Portfolio Investments (dividend plus capital gains) of at least two percent greater than the yield on New Zealand government stock (NZGS) in the long term.